

Fiscal Resources Committee

Via Zoom Video Conference Call

1:30 p.m. – 3:00 p.m.

Meeting Minutes for February 17, 2021

FRC Members Present: Adam O'Connor, Morrie Barembaum, Steven Deeley, Noemi Guzman, Bart Hoffman, Cristina Morones, Thao Nguyen, William Nguyen, Enrique Perez, Arleen Satele, Roy Shahbazian, and Vanessa Urbina

FRC Members Absent: Craig Rutan

Alternates/Guests Present: Erika Almaraz, Jacob Bereskin, Vaniethia Hubbard, Mark Reynoso, Syed Rizvi, Mike Taylor (Rutan), George Walters (CWP) and Barbie Yniguez

1. Welcome: Adam O'Connor called the meeting to order at 1:33 p.m. via zoom

2. State/District Budget Update

- SSC – Dartboard for 2021-22 Governor's Budget
- SSC – Ask SSC.... With Deferral Buy Downs, Should We Stop Our TRANS?
- SSC – Our Reflection on the 2021 Governor's Budget
- SSC – Biden Administration Unveils \$1.9 Trillion Relief Package
- SSC – LAO Analyses Governor's Spending Plan
- SSC – \$19 Billion in New State Spending-What That Means for You
- SSC – 2021-22 State Budget-Emergency Financial Assistance
- SSC – The Case for COLA Cautions

Adam O'Connor referenced handouts for information and mentioned there are very few updates on the State Budget at this time.

3. 2021/22 RSCCD Tentative Budget Assumptions – ACTION

O'Connor provided a detailed review of the tentative budget assumptions and discussion ensued. P1 projections are down approximately 9% compared to last year. The Governor's proposed budget includes 1.5% COLA which is a projection of \$2.6 million for RSCCD. While a .5% growth was also included in the Governor's proposed budget, RSCCD will not budget for those funds due to the current decline in enrollment and being about \$7.5 million below hold harmless level. With so many other districts in the same position with declining enrollments, there is advocacy to move the growth funds into COLA. With the 2% (conservative) deficit factor, the overall base is projecting a decrease of \$874,191. In about 10 days, RSCCD should receive the February P1 for the current year that includes P1 and R1 recalculation from prior year (2019-20) with one-time funds. It is likely the deficit factor could be reduced but it will remain at 2% for the tentative budget assumptions. EPA funding remains the same, it is not new money and is a component of total apportionment at \$30 million. Lottery projection is a decrease of \$385,103. Adjunct faculty is an increase of \$95,647 as is College Promise Grants (BOG fee waivers) of \$279,888. Mandates Block Grant remains unchanged but could potentially adjust with decline in enrollment. Non-Resident Tuition is estimated with an increase. A recommendation is being presented to the Board at the February 22 meeting to increase next year's non-resident tuition to \$307/unit (Statewide average) and \$10 capital outlay fee to maintain a competitive rate of \$317 among surrounding community colleges. RSCCD will have lowest non-resident tuition fees of our contiguous districts. Interest earnings are estimated at \$1 million, a decrease of \$400,000. Other miscellaneous sources of revenue remain unchanged with no new funds including apprenticeship and scheduled maintenance allocations which does not affect the general funds. O'Connor confirmed the 2% deficit factor is not state mandated but a district level decision. However, the State Chancellor's guidance is that a deficit factor could be as high as 2% for the current year. If it doesn't materialize, the \$3.496 million will be one-time revenue the following February.

O'Connor continued to review the expenditure assumptions. He explained it is a revenue allocation model whereby the funds are distributed to the colleges based on how it is earned. The colleges also have the responsibility within their revenue to budget for all necessary expenditures. Such expenditures include the 4% salary increase for FARSCCD and CSEA employee groups (at a cost of 1% salary increase at \$1.78 million for all funds), excluding any employees that participated in SRP (Supplemental Retirement Plan). Step and column increases for respective employees will also need to be budgeted at \$1.30 million with benefits for funds 11 and 13, and a total of \$1.81 million for all funds. As of January 1, 2021, health and welfare benefits for active employees increased at a cost of 3.5% but there was a reduction of \$440,379 for retirees changing to Companion Care making a combined increase of \$419,192, which is less than half in the current year. O'Connor clarified that the 1.5% COLA is part of and offsets the costs of the already negotiated 4% salary increases given to FARSCCD and CSEA. CalSTRS had a decrease and CalPERS had an increase. The faculty obligation number (FON) is not yet calculated and there is no expectation the budget will need to be adjusted for new faculty hiring. The 2020 report indicated RSCCD was 33.8 faculty over FON last fall. This number was reduced by 16 faculty that participated in SRP1 (Supplemental Retirement Program) in December 2020 and it is anticipated that more will participate in SRP2 approved by the Board effective in 2021. Discussion ensued and O'Connor confirmed that he would include in the written assumption the net cost of a full-time faculty hire less the offsetting cost of a part-timer. Thao Nguyen confirmed average full-time faculty costs = \$156,349 includes salary/benefits and part-time faculty to teach 30 LHE = \$54,886; therefore there would be a rough \$100,000 net cost per full-time faculty added to the budget. Those inquiring about the mechanics of the FON calculation, should contact Human Resources.

The required annual actuarial study was completed and because of changes in Actuarially Determined Contribution (ADC) that estimate increased to \$10.4 million. Therefore the employer payroll contribution rate of 1.1% of total salaries will increase to 2% (over \$1 million for unrestricted general funds and \$1.4 million for all funds which includes categorical). The calculation does not include retirees going to Companion Care in this "roll-forward" study, however, when a full actuarial study is completed next year (alternating years) it will be picked up. Other sources include utilities, ITS license escalation and two additional costs for the Leadership Academy (\$518,379) and the DMC Operating cost (\$96,682 and \$71,500 onetime costs) as approved by POE and District Council. A link for the details are available on the FRC website. Discussion ensued with a focus on capital outlay funds, scheduled maintenance project priorities and shortfall for the Health Science construction project through the use of such funds. Further discussion continued with a focus on health benefits and O'Connor confirmed discussions continue with employee groups to garner health benefit savings. ADA settlement costs will be funded at approximately the mid-point with \$10 million of the estimated \$20 million funded as of 2021/22.

O'Connor continued with the review of the 2021/22 tentative budget assumptions recap of new revenue (\$2.7 million) vs. new expenditures (\$7.7 million with structural deficit of \$2.2 million from previous year). Consultation and discussion with CSEA is pending a potential 4/10 work schedule during the summer to capture utilities savings. This leaves a \$7.1 ongoing deficit, but this is only the tentative budget and could change. There is also SRP1 and SRP2 with anticipated additional savings and right sizing project to bring the deficit down and of course a balanced budget will be presented to the Board for approval after the May revise. The budget assumptions are for planning purposes and continue to be updated even after approval of the tentative budget. Questions were asked and answers provided.

It was moved by Enrique Perez and seconded by Bart Hoffman to approve the budget assumptions. Roy Shahbazian suggested an amendment to include the \$100,000 differential between full-time and part-time faculty hires to the budget assumptions. O'Connor noted the amendment was not necessary but that he will include \$100,000 difference notation for FT/PT hiring so that it is clear. With no further questions or comments, the motion passed unanimously.

4. College Projected 2020-21 Year-end Balances – Satele and Hoffman
Hoffman reported that SAC anticipates \$1.2 million ending balance for fund 11.
Satele reported that SCC anticipates \$665,096 ending balance for funds 13 and 11.
These matters continue to be on-going discussions at campus budget meetings as well.

O'Connor noted district services ending balance is expected to be close to zero. A suggestion was made to rename the agenda item in future years to Budget Centers Projected Year-End Balances as defined in the BAM so that all budget centers provide a year-end projection. It was also noted that district services does not carryover funds, except as delineated in the BAM, but such is provided to the colleges. Typically, if the district has \$500,000 of unspent funds it is included in the carryover to the colleges through closing process.

5. FTES Update for P1

Thao Nguyen reviewed final FTES for P1. The total base for 2020-21 is 24,590.94 (16,161.2 SAC and 8,429.74 SCC). Total split is 65.72% for SAC and 34.28% for SCC. A total overall reduction of -9.02% (-12.73% for SAC and -0.96% for SCC) as compared to last year.

Thao Nguyen also reviewed the complete SCFF metrics as well as the comparison for estimates previously submitted. FTES portion is the only change to P1, P2, and P3; the supplemental and student success components are updated once a year and that update was just received. It will not change unless there is an error. Thao Nguyen provided a brief definition of the P1, P2, and recalculations stating P1 is FTES projection for current fiscal year due January 15. P2 annualizes projection due April 20. Allocation for P1 is not received until end of February. P2 is not calculated until the end of June then final is submitted in July. The annual calculation is not received until the recalc the following February. Adjustments occur in November and given the following February. P2 is used to close the books in July. Lengthy discussion ensued with clarification provided, and Thao Nguyen confirming a review of the past five years being conducted with actuals vs projections for each year. It was agreed the colleges' projections would be included on the metrics documents.

Thao Nguyen continued review of FTES for P1 which will be updated at P2 and Annual to close out the split between FTES for colleges to carryover. These latest metrics include last year's numbers to be used as comparison. This is the split based on the FTES split between the colleges (SAC 67.30% and SCC 32.70%) and the split by dollar earned (SAC 65.18% and 33.82%). The same applies to research department data for supplemental and student success split based on number (SAC 72.09% and SCC 27.91%) reported and the second column is based on dollar earned (SAC 67.92% and SCC 32.08%) by each college. Based on the dollar earned and if not held harmless SAC would get \$113,180,192 and SCC would get \$54,220,727 but because of hold harmless (\$174,838,125) and based on split SAC would get \$118,208,506 and SCC \$56,629,619. The hold harmless protection is under by \$7.4 million. What is earned based on SCFF is \$167,400,919 and because of hold harmless RSCCD will receive \$174.8 million which is into hold harmless \$7.4 million. The good news is that even though FTES is going the wrong way, both colleges did improve in the student success metrics and that was good to see.

Thao Nguyen provided detail review of the before and after assuming the colleges were producing the same FTES for 2020-2021 based on the 2019-20 recalculation number. Based on P1 and both colleges decline in FTES, the new three-year average, with noncredit going up and noncredit CDCP remaining the same, SAC is reduced by \$3.6 million and SCC increased by approximately \$591,000 in FTES productions. Supplemental allocation was reviewed using last year's data, however, because of updated numbers there was an increase in Pell Grant, decrease in AB540 and Promise categories making the split SCC up by approximately \$23,000 and SAC down by \$514,000. With updated numbers for Student Success Allocation, SAC is receiving \$12.3 million and SCC is receiving \$5.8 million. Basically both colleges increased. The total for the before/after were reviewed and with the updated information, the dollar amount split is \$118,208,505 for SAC and \$56,629,615 making the hold harmless protection an additional \$2 million in comparison to same data for last year if it were maintained this year. Thao Nguyen referenced the comparison for the change in supplemental allocation and student success allocation whereby SAC would have lost \$3.1 million and SCC would have gained just over \$1 million. However, with the hold harmless without deficit factor, there is a shift of \$1.8 from SAC to SCC instead of SAC losing \$3.8 million. A brief discussion ensued with expressions of gratefulness for hold harmless and caution for the conclusion of hold harmless in 2023/24. George Walters explained all metrics funding after hold harmless concludes after the 2023/24 year. The FTES is important, but the unduplicated headcount really drives the supplemental and success allocation. Although improving 3-year average is good, you don't want to see total unduplicated headcount reduced, reversing that trend in terms of awards.

6. Continued Discussion of SCFF and Review of BAM – Cambridge West Partnership Consultants

- Internal Hold Harmless Provision Language – **Action**

O'Connor shared that since the last meeting, SCC expressed that they are not in favor of recommended change to budget allocation as presented previously. Satele explained that she requested it be brought up as an action item and the need for the BAM language to remain as is. SCC was reduced for the last two years and must maintain what is earned. Hoffman explained SAC has also made cuts and thankful for hold harmless especially during the current environment; all districts across the State have lost enrollment. The district received money earned by SAC and SCC which should be carried over to the colleges to get them back on their feet. O'Connor noted that while he did not speak out against the change at the last meeting as it appeared both colleges supported the recommended language, and knowing now the two colleges are not in agreement, offered an opinion. He indicated that in his opinion, this change would be counter to the intent of the BAM. That is to allocate funds as "earned" or "produced" by each college. Going back to 2017/18 split would not be in the spirit of the model and could push the district further in to hold harmless as it takes the incentive away to grow FTES and the other metrics. Therefore O'Connor stated he would vote against it. As it is now, SAC is earning 68% and SCC is earning 32% however, if this change is made, SAC will gain \$1.8 million additional dollars that is taken away from SCC. Satele noted both colleges are working within extraordinary and challenging times. Discussion continued at great length with a focus on earned calculations, hold harmless distribution, college split amounts, and potential compromising options. O'Connor suggested instead of voting today, the two colleges' representatives meet separately from FRC to attempt to craft a compromise for action at the next FRC meeting. Satele and Hoffman will co-chair the group.

7. Standing Report from District Council – Rutan (Taylor)

Mike Taylor reported on behalf of Craig Rutan the actions of District Council including the approval of Vice Chancellor of Human Resources, Vice Chancellor Business Services and Chief Advisor for the Office of Diversity, Equity and Inclusion revised job descriptions.

8. Informational/Additional Handouts

- District-wide expenditure report link: <https://intranet.rscsd.edu>
- Vacant Funded Position List as of February 9, 2021
- Measure "Q" Project Cost Summary January 31, 2021
- Monthly Cash Flow Summary as of January 31, 2021
- [SAC Planning and Budget Committee Agendas and Minutes](#)
- [SCC Budget Committee Agendas and Minutes](#)
- Districtwide Enrollment Management Workgroup Minutes
- FY2020-21 @ P1 Analysis of SCFF
- SCFF with Updated Supplemental and Student Success Data, 02-11-2021
- Other Additional DS Costs - Support

Additional handouts were referenced for information purposes.

9. Approval of FRC Minutes – January 13, 2021

A motion was made by Roy Shahbazian and seconded by Arleen Satele to approve the minutes of January 13, 2021 meeting. With no questions, comments, corrections, or opposition, the motion passed unanimously.

10. Other

The next FRC meeting is scheduled for March 17, 2021 with an expectation of resolution to hold harmless budget allocation matter. This meeting adjourned at 3:21 p.m.